

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 7259

BILL NUMBER: HB 1354

NOTE PREPARED: Jan 18, 2015

BILL AMENDED:

SUBJECT: Distributions of motor vehicle excise tax revenue.

FIRST AUTHOR: Rep. Saunders

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill provides that distributions of motor vehicle excise tax revenue to the counties may not be reduced to recoup excess distributions of motor vehicle excise tax revenue attributable to an error in calculating the motor vehicle excise until after December 31, 2015.

The bill also provides that the state may recoup only those excess distributions of motor vehicle excise tax revenue that were received by the counties in the three year period beginning on September 16, 2011.

Effective Date: October 1, 2014 (retroactive).

Explanation of State Expenditures:

Explanation of State Revenues: This bill will result in an overall reduction in state revenues of about \$3.8 M, spread over FY 2015 to FY 2017. In addition, the collection of the remaining \$15.4 M in expected revenues will be delayed by one calendar year.

According to the Bureau of Motor Vehicles (BMV), taxpayer refunds of overcollected excise taxes will total \$28.6 M. The portion of the excise tax refunds that will be charged to the counties is \$19.2 M. (The state currently captures about one-third of excise tax as part of the state's assumption of funding county welfare and general school operations.)

This bill will impact the state in two ways. First, the amount that the state may recoup from the counties will be limited to the excess distributions of excise tax received by the counties from September 16, 2011 through September 16, 2014. Second, the state will have to wait until 2016 to begin to recoup these amounts.

According to data provided by the BMV that shows the refunds by year, the total amount to be recouped from counties under this bill is about \$15.4 M, or \$3.8 M less than under current law.

The BMV reports that the county portion of the refund amounts will be recouped from the counties by withholding 3% of the daily excise tax distributions from each county until the overdistribution is repaid. The BMV estimates that this could take as long as 2.5 years in some counties. With the limitation in this bill, it should take just over a year and a half to recoup the total amount.

Explanation of Local Expenditures:

Explanation of Local Revenues: This bill will result in an overall increase in local revenues of about \$3.8 M, spread over CY 2016 and CY 2017. This increase is the result of the reduced excise tax refund amount that the state may recoup from the counties. The bill will also delay county repayments by one year from CY 2015 through CY 2016 to CY 2016 through CY 2017. This delay will have the effect of increasing local revenues in CY 2015 and reducing local revenues in CY 2016 or CY 2017, depending on the county.

Excise tax revenues received by the county are distributed to the civil taxing units and school corporations that serve the taxing district in which the registrant lives.

State Agencies Affected: Bureau of Motor Vehicles

Local Agencies Affected: County auditors; Civil taxing units and school corporations.

Information Sources: Alex Miller, BMV.

Fiscal Analyst: Bob Sigalow, 317-232-9859.